



STATE OF WISCONSIN
Department of Employee Trust Funds
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SECRETARY

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CORRESPONDENCE MEMORANDUM

DATE: December 13, 2010

TO: Wisconsin Deferred Compensation Board Investment Committee
Wisconsin Deferred Compensation Board

FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program

SUBJECT: Stable Value Fund Sub Advisor Change

Staff recommends that the Investment Committee endorse Galliard's change in Stable Value Fund sub advisors from Aberdeen Asset Management to Dodge & Cox Funds.

The Stable Value Fund (SVF) was added to the Wisconsin Deferred Compensation Program (WDC) core investment options lineup in 1996. It replaced a Guaranteed Investment Contract (GIC) that had been part of the WDC since 1985. The SVF is one of the WDC's most popular funds, in terms of both assets and participant use. Over 16,200 WDC participants held assets valued at approximately \$500,808,280 in the DFA Micro Cap Fund as of November 30, 2010.

Section Two of the Board's Investment Advisory Agreement with Galliard Capital Management (Galliard) states that any SVF sub advisor changes must be approved by the Department. Galliard notified the Department on December 8, 2010, that it would like to transition the management of one of the underlying collective funds within the SVF to a new sub advisor. Galliard believes that Aberdeen Asset Management's style has added value to the portfolio. However, based on new management parameters dictated by the wrap providers as well as some historical performance challenges and employee turnover issues at Aberdeen Asset Management, Galliard believes that now is the right time to make a change in sub advisors. Through September 30, 2010, Aberdeen Asset Management was managing approximately 14.5% of the SVF.

After a thorough search, Galliard has determined that Dodge & Cox Funds is the appropriate firm to replace Aberdeen Asset Management as sub advisor to the SVF. Attached is information from Galliard regarding Dodge & Cox Funds. Pending approval, Dodge & Cox Funds will take over the existing Aberdeen Asset Management portfolio as of January 3, 2011. Dodge & Cox Funds will continue managing the portfolio to the current intermediate duration mandate, benchmarked to the Barclays Intermediate Aggregate Index. Note that this sub advisor change will not have an impact on WDC participants. It will also not change the trading arrangements with the WDC's record keeping firm (Great-West Retirement Services).

Staff from Galliard and the Department will be available to discuss this proposed change with you on December 15, 2010.

Attachments (2)

Reviewed and approved by Jean Gilding, DRS Division Administrator

Jean Gilding 12/13/10

Signature Date

Board	Mtg Date	Item #
DCIC	12.15.10	2b
DC	12.15.10	1b



Galliard Capital Management
www.Galliard.com

**Dodge & Cox
New Sub-advisor for Collective Fund J**

As part of Galliard's external manager review process, sub-advisors are routinely monitored and reviewed based on a number of criteria. After careful consideration, Galliard has appointed Dodge & Cox as the new sub-advisor for Collective Fund J starting January 3, 2010. Dodge & Cox will replace Aberdeen Asset Management who has served as the sub-advisor since October 1, 2007.

Established in the 1930s, Dodge & Cox's business focuses exclusively on investment management. The firm managed more than \$180 billion in assets as of September 30, 2010 of which approximately \$142 billion were institutional assets. In addition to separately managed fixed income accounts, Dodge & Cox manages equity and balanced account portfolios and mutual funds. Dodge & Cox is independently owned and operated and is based in San Francisco.

Dodge & Cox manages approximately \$63 billion in fixed income only mandates and pursues a long-term oriented investment approach that focuses on independent research. The firm's fixed income philosophy is to construct and manage a high average credit quality portfolio where securities are selected through fundamental analysis. The firm believes that by combining fundamental research with a long-term investment horizon, it is possible to uncover and act upon inefficiencies in the valuation of market sectors and individual securities. When this fundamental research effort is combined with a disciplined program of risk analysis, competitive returns are possible over the long-term.

Galliard believes that Dodge & Cox's independent ownership structure results in firm stability and low investment professional turnover. We also believe Dodge & Cox's long-term thematic investment approach and focus on fundamental research will complement other managers' investment styles in Galliard's external manager program. We are confident in Dodge & Cox's ability to deliver competitive performance for Collective Fund J.

If you have any questions, please do not hesitate to contact your Galliard relationship manager.

Sincerely,

Galliard Client Services